

LIBRARY
OF
CALIFORNIA



CALIFORNIA
STATE LIBRARY
FRENCH STREET

Library of California Board Meeting (Teleconference) October 31, 2007

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**October 31, 2007
9:15 a.m. – 9:45 a.m.**

LoC Board Business Meeting (Teleconference)

**California State Library
900 N Street, Room 501
Sacramento, CA**

A. BOARD OPENING

1. Welcome and Introductions

Welcome and introduction of Board members, staff, and audience

2. Adoption of Agenda

Consider agenda as presented or amended

B. REPORTS TO THE BOARD

1. Chief Executive Officer's Report

Information on business to be discussed at meeting

C. CLSA PROGRAM ITEMS FOR INFORMATION/ACTION

BUDGET AND PLANNING

1. CLSA Baseline Budget

- a. Consider 2007/08 CLSA baseline budget by program – *Document 1*

RESOURCE SHARING

1. Interlibrary Loan (ILL) and Direct Loan Programs – *Document 2*

- a. Consider prorating the CLSA loan reimbursement program for 2007/08
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D. PUBLIC COMMENT

E. COMMENTS FROM BOARD MEMBERS/OFFICERS

F. ADJOURNMENT

Doc. 11548

AGENDA ITEM: Recommended 2007/08 CLSA Budget

RECOMMENDED MOTION FOR CONSIDERATION BY THE BOARD: I move that the Library of California Board adopt the 2007/08 CLSA Budget, reduced by \$7 million in the State Budget Act, as displayed in the chart entitled "Recommended 2007/08 CLSA Baseline Budget by Program," and that the chart be included in the minutes of this meeting.

BACKGROUND:

The Board took action at its August 2007 meeting to approve the CLSA baseline budget, contingent upon the passage of the State Budget with a total CLSA appropriation of \$21,342,000. However, when the State Budget Act was released, the CLSA Budget appropriation was reduced by \$7 million in the Transaction Based Reimbursements (TBR) Program allocation. Exhibit A displays, by CLSA program, the summary of 2007/08 funding compared to the previous year.

Recommendation: Staff is recommending that the Board adopt the scheduled CLSA baseline with a reduced budget for fiscal year 2007/08.

Relevant Committee: Budget and Planning

Staff Liaison: Sandy Habbestad

RECOMMENDED 2007/08 CLSA BASELINE BUDGET BY PROGRAM

PROGRAM	2006/07 CLSA BASELINE BUDGET	2007/08 ADJUSTMENTS	2007/08 CLSA BASELINE BUDGET
Transaction Based Reimbursements	\$ 18,616,000	(\$7,000,000)	\$ 11,616,000
Consolidations & Affiliations	-0-	-0-	-0-
Statewide Data Base	-0-	-0-	-0-
System Advisory Boards	27,260	-0-	27,260
System Reference	1,608,340	-0-	1,608,340
System Communications & Delivery	1,090,400	-0-	1,090,400
System Planning, Coordination, & Evaluation	-0-	-0-	-0-
Statewide Communications & Delivery	-0-	-0-	-0-
State Reference Centers	-0-	-0-	-0-
Total	\$21,342,000	(\$7,000,000)	\$14,342,000

ACTION

AGENDA ITEM: CLSA Interlibrary Loan, Universal Borrowing, Equal Access Programs

ISSUE TO COME BEFORE THE BOARD AT THIS MEETING: Consider increasing the pro rata amount for the CLSA loan reimbursement program for 2007/08.

RECOMMENDED MOTION FOR CONSIDERATION BY THE BOARD: I move that the Library of California Board direct its Chief Executive Officer to increase the amount to withhold from all CLSA ILL and Direct Loan Program reimbursement payments to 65% throughout the 2007/08 fiscal year and that, after determining the full State cost of the ILL and Direct Loan programs for 2007/08, direct the CEO to pay the full amount remaining due to each participating library if sufficient funds remain in the 2007/08 TBR Program appropriation, or to prorate the final payment equitably if insufficient funds remain in the program appropriation.

BACKGROUND:

At the August 8, 2007 meeting, the State Board adopted the method for implementing the prorating requirement by withholding 35% from each valid claim throughout the course of the fiscal year and paying the remainder due, or a prorated portion of the remainder due, after the close of the fiscal year. The percentage withheld was based on the budget as represented in the May Revise. The State Budget Act, signed by the Governor on August 24, 2007, reduced the TBR appropriation by \$7 million for fiscal year 2007/08, bring the total TBR budget allocation to \$11,616,000.

Based on current projections of transactions and the reimbursement rates approved by the Department of Finance, the full state cost of the CLSA loan program for 2007/08 is estimated to be as follows:

Eligible Public and Non-Public Interlibrary Loans	2,685,982 @ \$5.29 = \$14,208,845
Net Imbalance Direct Loans	11,771,010 @ \$.97 = \$11,417,880
Estimated Total Program Cost	= \$25,626,725
CLSA Budget appropriation (reduced \$7 million)	= \$11,616,000

If projected transaction levels are actually realized, the 2007/08 CLSA ILL and Direct Loan program appropriation would fall short of being sufficient to pay the full reimbursable cost of the program by approximately 55%.

Recommendation: Staff is recommending that the Board increase the withholding amount to 65% during the course of the 2007/08 fiscal year. Due to unknown increases and decreases in transaction levels in any given year, and not knowing the final resource sharing costs for 2007/08, staff has included a larger margin for transaction growth into the proposed percentage being withheld.

PROGRAM TRENDS:

By agreement with the Department of Finance, the annual State appropriation for the CLSA Interlibrary Loan and Direct Loan Programs is determined by the Enrollment/Caseload/Population (ECP) process. This method was selected because the costs of the loan programs are driven by factors that are, essentially, beyond the control of local and State government. More specifically the costs are determined by the actual handling costs realized in libraries providing the service and the actual number of times the service is utilized by Californians. While the handling costs are, to a certain extent, controllable by individual participating libraries, the statewide average cannot be easily controlled or predicted. The second factor, usage, can only be controlled by clearly inequitable means; that is, by denying services to individuals after a calculated maximum number of transactions has occurred.

For these reasons, the ILL and Direct Loan program appropriation in any single fiscal year is based on estimates of the increase or decrease in handling cost, and projections of the levels of use, as well as the availability of funds. The program has been extremely successful and popular, but its history has been marked by years of shortfalls in the annual appropriation. For the last several years, the State Budget Act has not included the language requiring the Board to prorate reimbursement payments in the event of an insufficient appropriation. Current projections indicate that a shortfall will occur in the 2007/08 ILL and Direct Loan program budget. Therefore, the pro rating language included in the 2002/03 Budget Bill has been used as the more recent act of the Legislature which supersedes the requirement in the CLSA law that the State Board reimburse at the full rate adopted by the Board and as approved by the Department of Finance. However, it does not set aside the provision of Education Code Section 18703(f) to reimburse participating libraries equitably.

The 2002/03 pro rating requirement states:

“Should the funds appropriated in Schedule (3) be insufficient to fully cover all transactions under the Direct Loan and Interlibrary Loan programs of the California Library Services Act, funding shall be pro rated such that expenditures for the program are within the appropriation made in Schedule (3) of this item.”

RELATED ISSUES TO COME BEFORE THE BOARD IN THE FUTURE: Updates on actual and revised projections of Interlibrary and Direct Loan program levels and costs.

Relevant Committee: Resource Sharing
Staff Liaison: Sandy Habbestad

*Doc. #10970v2
Revised 10/24/07*